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Grain and Feed

Annual

2009

Approved by:
Mary Ellen Smith
U.S. Embassy

Prepared by:
Yelena Vassilieva

Report Highlights:
Total grain production in marketing year 2009 is forecast to decrease by 13 million metric tons (MMT) to 95 MMT. The decrease is due to a slight reduction in sown area and lower spring yields. Grain imports will be less than 1 MMT, while grain exports may reach 20 MMT. Feed grain consumption will increase by 3.5 percent to 41 MMT. Grain carry-over stocks by the end of the year are forecast at 16 MMT. In 2009, the Russian government will increase its influence in the domestic grain market and exports

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Moscow [RS1]
[RS]

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Executive Summary

Total grain production in marketing year 2009 is forecast to decrease by 13 million metric tons (MMT) to 95 MMT. The decrease is due to a reduction in area sown to spring grains and lower spring grain yields. Area sown to winter grains increased by 1.6 million hectares from last year, and the winter grain crop will be equivalent or greater than in MY 2008. Grain imports will be less than 1 MMT, while grain exports may reach 20 MMT, almost a 1 MMT increase from MY 2008. Feed grain consumption will increase by 3.5 percent to 41 MMT. Grain carry-over stocks by the end of the year are forecast at 16 MMT, including approximately 9 MMT in the grain intervention reserve. As a result of the economic crisis, government influence and control will be more prevalent in the domestic grain market and in exports.

Section I. Situation and Outlook

Given normal weather conditions in April – August 2009, the grain production in Russia may reach 95 MMT (including rice in paddy equivalent) in MY 2009. This crop will be 13 percent lower than the last year's record, but may be the second highest crop since 1993. Russian's official grain crop forecasts for MY 2009 vary from 80 million metric tons (MMT) to 100 MMT. The "uncertainty" factor will be weather and spring sowing.

Russia's financial crisis and shortage of storage capacity coupled with forecast high end-of-year grain stocks may temper spring grain sowing. On the other hand, winter grains have been sown to 17.1 million hectares, up 1.6 million hectares from last year. As of mid-March winter crops were mostly in good to satisfactory condition. Thus, winter grain yields may be as good as last year and the winter grain crop, which in Russia accounts for 37-42 percent of the total grain crop, may reach 45-48 MMT[1]. However, the spring grain crop will be lower than in 2009. The economic situation, availability and cost of inputs, agronomic practices, and access to storage facilities differ significantly by Russian territories. At present it is difficult to predict local farmers' decisions on spring sowing. Although Russia does not have government set-a-side programs, farmers may decrease spring grain planting, and leave some land fallow or transfer land to pastures. Many Russian farms depend on crop rotation, and also produce grain for their own livestock. Therefore, these two factors may force many farmers to sow spring grain on almost the same territory as last year. Spring yields may decrease as it is anticipated that farmers will reduce their investments in cultivation, e.g. reduction in fertilizer and use of new technology. Thus, the forecast decrease in grain crop is attributed to slight decrease in spring sowing, and to lower spring crop yield.

Wheat production is predicted at 58 MMT, a 9 percent decrease from last year's record. Barley production will drop by almost 20 percent from last year's record to 19 MMT. Corn production will decrease by 7 percent to 6 MMT, due to lower yields. Financial constraints will prevent farmers from investing in improved seeds, and yields may be lower than in 2008. Rye production will decrease by 8 percent to 4 MMT. Scientists encourage farmers to increase diversity of grain crops (oats, millet, buckwheat, triticale, etc.) and legumes, but it is unlikely that in 2009 farmers will take the risks of switching to new crops, and will rather keep to traditional crops for which the government has promised procurement interventions. Thus, the total production of these crops in 2009 will be slightly over 7 MMT (9.26 MMT in 2008). Oats production will comprise more than half of this crop, but will drop by 16 percent from the 2009 level to 5 MT. Oats producers complain that the domestic demand for oats is small and decreasing. Feed consumption of oats is replaced by cheap wheat and barley, and

[1] Official data on winter and spring (separately) production in 2008 will be published only in April 2009.

the food industry does not compensate for this decrease, because does not care to expand oat based foods.

In the beginning of 2009 some Russian grain traders began asserting that Russia does not need a 20 percent increase in grain production by 2012, as was envisaged by the Government Program for Agriculture 2008-2012. Per these experts, improving grain storage, infrastructure and logistics, developing foreign markets for Russia's grain, and increasing domestic grain consumption should be the government's priorities. However, these ideas have not yet materialized in the Government Program for Agriculture 2008-2012.

Russia's grain imports in MY 2009 will remain 820,000 MT, equal to the MY 2008 estimate. Wheat imports will increase at the expense of more active border trade with Kazakhstan (up to 400,000 MT), while imports of barley will decrease be cut in half and fall to 100,000 MT. Imports of corn and rice will remain unchanged (100,000 MT and 220,000 MT respectively).

Exports in MY 2009 are forecast to increase by 3.9 percent to 20 MMT, including 17 MMT of wheat (including wheat flour in grain equivalent), 2 MMT of barley, 400,000 MT of corn, and 100,000 MT of rye. Commercial exports will primarily depend on world market prices, and on the value of the ruble. The availability of storage and port facilities may be a limiting factor for grain exports. In MY 2009 the Russian government may significantly increase its role in grain exports due to creation of the Uniform Grain Company[2], and more active participation in international humanitarian and assistance programs.

In MY 2009, feed grain consumption is forecast at 41 MMT, a 3.5 percent increase from the USDA official consumption estimate for MY 2008. There are no official data on feed grain consumption in Russia, and experts' estimates vary from 37 to 42 MMT. Livestock farmers may experience serious financial problems in 2009, and demand for grain may decrease. On the other hand, use of grain at the less efficient farms, and at farms with their own grain production may increase. Grain losses, which are included in feed grain consumption, may also increase. Food and industrial grain consumption is forecast at 35 MMT, slightly lower than in MY 2008.

Due to increased exports grain carry-over end-of-year stocks are forecast at 16 MMT, 4 percent less than beginning of year stocks. The Russian Government intends to continue grain procurement interventions in MY 2009 as government officials view 16-17 MMT's of stocks, including 9 MMT of government own grain, as normal in order to ensure food security.

In MY 2008 the Russian Government undertook several steps to increase its influence in the grain market including: large scale grain procurement interventions, feed compensations, fuel and lubricant subsidies. Given the present financial crisis, 2009 grain production may depend more on government programs than economics.

[2] RS9022 Russia's Federal United Grain Company Created

Section II. Statistical Tables

Table 1. Wheat: PSD

Wheat Russia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Apr Data	
Area Harvested	24,500	24,500	24,500	26,700	26,000	26,000			25,000	(1000 HA)
Beginning Stocks	2,380	2,380	2,380	2,300	2,270	2,300			10,265	(1000 MT)
Production	49,400	49,400	49,400	63,700	63,745	63,745			58,000	(1000 MT)
MY Imports	440	350	440	300	300	120			400	(1000 MT)
TY Imports	440	350	440	300	300	120			400	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	52,220	52,130	52,220	66,300	66,315	66,165			68,665	(1000 MT)
MY Exports	12,220	12,160	12,220	16,000	15,000	16,000			17,000	(1000 MT)
TY Exports	12,220	12,160	12,220	16,000	15,000	16,000			17,000	(1000 MT)
Feed Consumption	15,050	15,050	15,050	17,200	19,500	17,200			17,900	(1000 MT)
FSI Consumption	22,650	22,650	22,650	24,000	24,000	22,700			22,730	(1000 MT)
Total Consumption	37,700	37,700	37,700	41,200	43,500	39,900			40,630	(1000 MT)
Ending Stocks	2,300	2,270	2,300	9,100	7,815	10,265			11,035	(1000 MT)
Total Distribution	52,220	52,130	52,220	66,300	66,315	66,165			68,665	(1000 MT)
Yield	2.	2.	2.0163	2.	2.	2.4517			2.32	(MT/HA)

Table 2. Wheat Exports by Countries, 1,000 MT			
Rank	Country	MY 2007	Jul 08 - Feb 09
0	The World	11,595	12,614
1	Egypt	3,362	3,156
2	Turkey	693	1,576
3	Azerbaijan	362	972
4	Pakistan	257	943
5	Syria	24	552
6	Iran	0	542
7	Bangladesh	314	459
8	Jordan	501	438
9	Yemen	173	386
10	Tunisia	495	327
11	Libya	555	315
12	Armenia	183	252
13	Israel	360	217
14	Georgia	300	216
15	Lebanon	252	204
16	Iraq	0	199
17	Kenya	124	182
18	Italy	591	175
19	Tanzania	122	145

20	Greece	395	143
	Other	2,533	1,214
Source: World Trade Atlas data and SovEcon data for Jan-Feb 2009			

Table 3. Wheat Flour Exports by Countries, Grain Equivalent, 1,000 Metric Tons

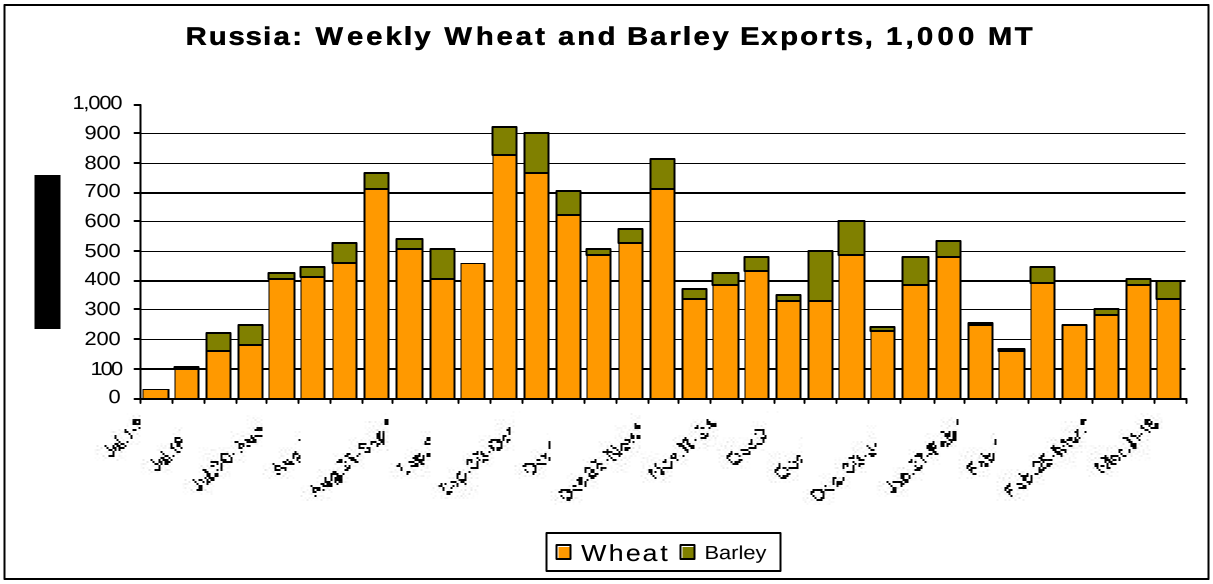
Rank	Country	MY 2007	Jul 08-Feb 09
	The World	535.5	439.6
1	Afghanistan	28.0	128.1
2	Uzbekistan	34.8	77.6
3	Azerbaijan	42.9	72.4
4	Mongolia	130.2	66.7
5	Tajikistan	118.5	34.2
6	Georgia	132.7	16.9
7	Turkmenistan	0.7	10.5
8	Kyrgyzstan	13.3	7.8
9	Abkhazia	0.0	6.6
10	Kazakhstan	2.0	4.9
	Other	32.4	13.7
Source: Calculations are based on World Trade Atlas data and SovEcon data for Jan-Feb 2009			

Table 4. Barley: PSD

Barley Russia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Apr Data	
Area Harvested	9,800	8,360	8,360	9,700	9,400	9,400			8,600	(1000 HA)
Beginning Stocks	1,226	1,226	1,226	956	736	736			4,771	(1000 MT)
Production	15,650	15,665	15,665	23,100	23,135	23,135			18,600	(1000 MT)
MY Imports	176	175	175	200	100	100			100	(1000 MT)
TY Imports	200	175	175	200	100	100			100	(1000 MT)
TY Imp. From U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	17,052	17,066	17,066	24,256	23,971	23,971			23,471	(1000 MT)
MY Exports	1,046	1,030	1,030	2,200	2,600	2,100			2,150	(1000 MT)
TY Exports	1,277	1,030	1,030	2,200	2,600	2,100			2,150	(1000 MT)
Feed Consumption	10,450	10,700	10,700	12,800	12,300	12,300			12,800	(1000 MT)
FSI Consumption	4,600	4,600	4,600	5,100	5,100	4,800			4,800	(1000 MT)
Total Consumption	15,050	15,300	15,300	17,900	17,400	17,100			17,600	(1000 MT)
Ending Stocks	956	736	736	4,156	3,971	4,771			3,721	(1000 MT)
Total Distribution	17,052	17,066	17,066	24,256	23,971	23,971			23,471	(1000 MT)
Yield	2.	2.	1.8738	2.	2.	2.4612			2.1628	(MT/HA)

Table 5. Barley Exports, by Countries, 1,000 Metric Tons			
Rank	Country	MY 2007	Jul 2008-Feb 2009
0	The World	1,045.3	1,631.8
1	Saudi Arabia	400.7	623.2
2	Syria	1.0	403.9
3	Iran	0.0	129.1
4	Tunisia	107.6	76.3
5	Jordan	247.9	49.8
6	Spain	0.0	39.5
7	Turkey	15.6	35.7
8	Israel	44.1	49.0
9	Italy	0.0	24.6
10	Greece	4.2	26.0
11	Cyprus	5.7	30.6
12	Kazakhstan	46.3	34.8
13	Germany	11.8	13.6
14	Lebanon	19.7	11.6
15	United Arab Emirates	0.0	5.8
	Other	140.6	78.3
Source: World Trade Atlas and SovEcon data for Jan-Feb 2009			

Graph 1. Russian MinAg's Data on Wheat and Barley Weekly Exports



Source: Ministry of Agriculture of the Russian Federation

Table 6. Rye: PSD

Rye Russia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Apr Data	
Area Harvested	2,100	2,100	2,100	2,200	2,200	2,200			2,100	(1000 HA)
Beginning Stocks	76	76	76	62	62	62			332	(1000 MT)
Production	3,900	3,915	3,915	4,500	4,505	4,505			4,150	(1000 MT)
MY Imports	5	5	5	0	0	0			0	(1000 MT)
TY Imports	5	5	5	0	0	0			0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	3,981	3,996	3,996	4,562	4,567	4,567			4,482	(1000 MT)
MY Exports	119	119	119	100	50	30			100	(1000 MT)
TY Exports	86	86	86	100	50	30			100	(1000 MT)
Feed Consumption	650	650	650	650	650	750			750	(1000 MT)
FSI Consumption	3,150	3,165	3,165	3,475	3,375	3,455			3,400	(1000 MT)
Total Consumption	3,800	3,815	3,815	4,125	4,025	4,205			4,150	(1000 MT)
Ending Stocks	62	62	62	337	492	332			232	(1000 MT)
Total Distribution	3,981	3,996	3,996	4,562	4,567	4,567			4,482	(1000 MT)
Yield	2.	2.	1.8643	2.	2.	2.0477			1.9762	(MT/HA)

Table 7. Rye Exports by countries, Metric Tons			
Rank	Country -	Jul 07 - Jun 08	Jul. 08 - Feb. 09
	The World	118,514	11,619
1	Turkey	12,572	5,458
2	Netherlands	0	2,459
3	Israel	9,137	1,509
4	Germany	11,983	752
5	Afghanistan	0	390
6	Serbia	0	80
7	Mongolia	0	60
	Other	84,822	910
Source: World Trade Atlas and SovEcon data for Jan-Feb 2009			

Table 8. Corn: PSD

Corn Russia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Apr Data	
Area Harvested	1,300	1,300	1,300	1,650	1,550	1,550			1,600	(1000 HA)
Beginning Stocks	175	175	175	167	167	167			812	(1000 MT)
Production	3,950	3,950	3,950	6,600	6,645	6,645			6,200	(1000 MT)
MY Imports	341	341	341	100	100	100			100	(1000 MT)
TY Imports	341	341	341	100	100	100			100	(1000 MT)
TY Imp. from U.S.	8	8	8	0	0	0			0	(1000 MT)
Total Supply	4,466	4,466	4,466	6,867	6,912	6,912			7,112	(1000 MT)
MY Exports	49	49	49	600	350	600			400	(1000 MT)
TY Exports	49	49	49	600	350	600			400	(1000 MT)
Feed Consumption	3,650	3,650	3,650	4,800	4,800	4,800			5,200	(1000 MT)
FSI Consumption	600	600	600	700	700	700			700	(1000 MT)
Total Consumption	4,250	4,250	4,250	5,500	5,500	5,500			5,900	(1000 MT)
Ending Stocks	167	167	167	767	1,062	812			812	(1000 MT)
Total Distribution	4,466	4,466	4,466	6,867	6,912	6,912			7,112	(1000 MT)
Yield	3.	3.	3.0385	4.	4.	4.2871			3.875	(MT/HA)

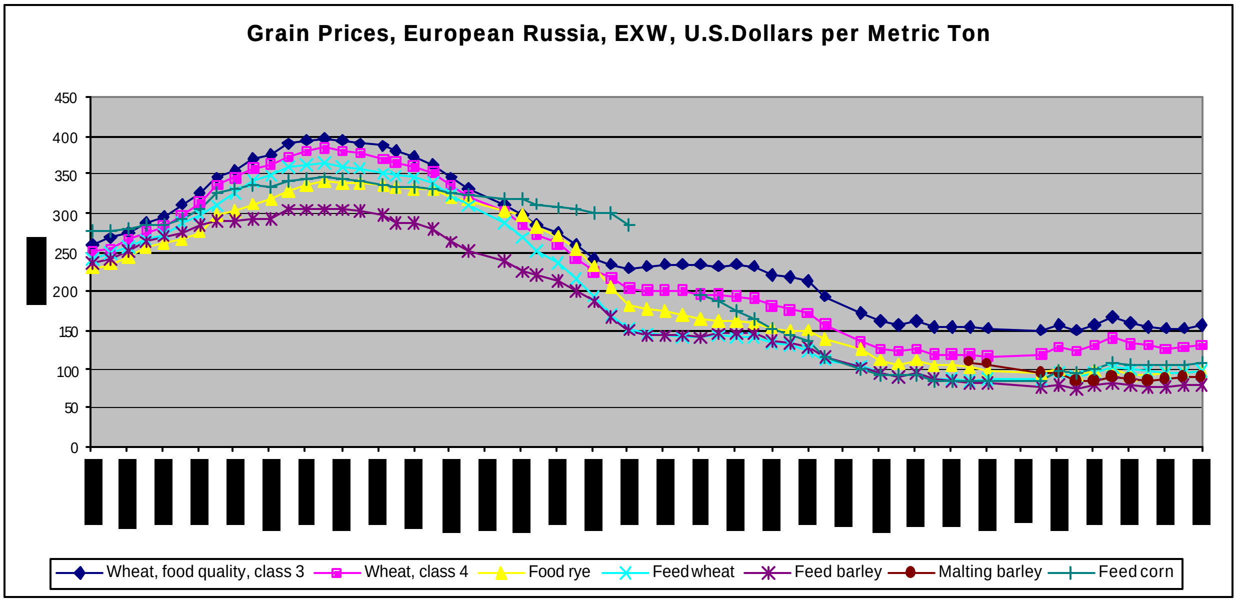
Table 9. Corn Imports, by Countries, Metric Tons			
Rank	Country	Oct 07 – Sep 08	Oct 08 - Feb 09
	The World	354,565	26,903
1	Ukraine	302,662	15,122
2	Canada	4,372	2,453
3	Hungary	7,755	3,210
4	Austria	404	1,830
5	United States	25,122	1,613
6	Germany	76	823

7	Argentina	1,328	760
8	Romania	1,324	189
9	Chile	136	15
	Other	11,385	888
Source: World Trade Atlas and SovEcon data for Jan-Feb 2009			

Table 10. Corn Exports, by Countries, Metric Tons

Rank	Country	Oct 07-Sep 08	Oct 08 – Feb 09
	The World	49,104	497,127
1	Egypt	0	237,556
2	Iran	0	35,483
3	Armenia	3,075	35,152
4	Syria	0	32,458
5	Israel	0	29,248
6	Spain	0	25,991
7	Turkey	0	25,982
8	Lebanon	0	18,694
9	Azerbaijan	35,965	17,960
10	Algeria	0	8,588
11	Cyprus	2,715	6,736
12	Libya	0	6,091
13	Morocco	0	5,500
14	Kazakhstan	56	2,909
15	Uzbekistan	0	2,464
16	Tajikistan	0	2,355
17	Georgia	1,462	2,181
18	Abkhazia	0	1,335
	Other	5,831	444
Source: World Trade Atlas and SovEcon data for Jan-Feb 2009			

Graph 2. Grain Prices, European Russia, EXW, U.S. Dollars per Metric Ton



Source: ProZerno

Oats, Rice, Millet

Table 11. Oats: PSD

Oats Russia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Apr	
			Data			Data			Data	
Area Harvested	3,700	3,320	3,320	3,700	3,200	3,200			2,800	(1000 HA)
Beginning Stocks	190	190	190	190	190	190			590	(1000 MT)
Production	5,400	5,410	5,410	5,800	5,830	5,830			4,900	(1000 MT)
MY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	5,590	5,600	5,600	5,990	6,020	6,020			5,490	(1000 MT)
MY Exports	0	0	0	0	0	0			0	(1000 MT)
TY Exports	0	0	0	0	0	0			0	(1000 MT)
Feed Consumption	3,800	3,810	3,810	3,800	3,830	3,830			3,600	(1000 MT)
FSI Consumption	1,600	1,600	1,600	1,600	1,600	1,600			1,600	(1000 MT)
Total Consumption	5,400	5,410	5,410	5,400	5,430	5,430			5,200	(1000 MT)
Ending Stocks	190	190	190	590	590	590			290	(1000 MT)
Total Distribution	5,590	5,600	5,600	5,990	6,020	6,020			5,490	(1000 MT)
Yield	1.00	2.00	1.63	2.00	2.00	1.82			1.75	(MT/HA)

Table 12. Rice: PSD

Rice, Milled Russia	**2007**			**2008**			**2009**			
	2007/2008			**2008/2009**			**2009/2010**			
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Apr Data	
Area Harvested	163	160	160	164	170	170			170	(1000 HA)
Beginning Stocks	69	69	69	69	69	69			89	(1000 MT)
Milled Production	460	460	460	475	475	475			485	(1000 MT)
Rough Production	708	708	708	731	731	731			746	(1000 MT)
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500			6,500	(1000 MT)
MY Imports	237	233	233	220	220	274			220	(1000 MT)
TY Imports	237	233	233	220	220	274			220	(1000 MT)
TY Imp. from U.S.	2	0	0	0	0	2			3	(1000 MT)
Total Supply	766	762	762	764	764	818			794	(1000 MT)
MY Exports	21	15	15	20	20	20			15	(1000 MT)
TY Exports	21	15	15	20	20	20			15	(1000 MT)
Total Consumption	676	678	678	675	675	709			710	(1000 MT)
Ending Stocks	69	69	69	69	69	89			69	(1000 MT)
Total Distribution	766	762	762	764	764	818			794	(1000 MT)
Yield (Rough)	4.00	4.00	4.43	4.00	4.00	4.30			4.39	(MT/HA)

Table 13. Millet: PSD

Millet Russia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Apr Data	
Area Harvested	500	375	375	500	500	500			350	(1000 HA)
Beginning Stocks	0	0	0	0	0	0			0	(1000 MT)
Production	425	420	420	700	710	710			450	(1000 MT)
MY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	425	420	420	700	710	710			450	(1000 MT)
MY Exports	0	0	0	0	0	0			0	(1000 MT)
TY Exports	0	0	0	0	0	0			0	(1000 MT)
Feed Consumption	225	220	220	400	410	410			250	(1000 MT)
FSI Consumption	200	200	200	300	300	300			200	(1000 MT)
Total Consumption	425	420	420	700	710	710			450	(1000 MT)
Ending Stocks	0	0	0	0	0	0			0	(1000 MT)
Total Distribution	425	420	420	700	710	710			450	(1000 MT)
Yield	1.	1.	1.12	1.	1.	1.42			1.2857	(MT/HA)

Section III. Narrative on Supply and Demand, Policy and Marketing

Production

Russia's grain crop in MY 2008 was the highest since 1993. The average wheat and corn yield were the highest ever reported due to good weather conditions and improved agronomic practices. Stimulated by anticipated demand, sown winter and spring area increased in 2008 However, in MY 2009 domestic and world demand for grain will slow down. Big carry-over stocks are expected by the beginning of MY 2009, and farmers' economic and financial constraints may result in the decreased spring sowing in MY 2009. The government has undertaken several measures to provide farmers with favorable terms of fuel and fertilizer purchase, and also promised to continue price support practices through grain procurement interventions.

Table 14. Russia: Planted and Harvested Area, Production, 2002 - 2008							
Planted Area, 1,000 Hectares							
	2002	2003	2004	2005	2006	2007	2008 (prelim)
Wheat, total	25,662	22,186	24,030	25,399	23,640	24,403	26,625
- winter	10,113	7,412	8,978	10,364	8,974	10,590	NA
- spring	15,549	14,774	15,052	15,035	14,666	13,813	NA
Barley, total	10,279	10,165	9,980	9,137	9,990	9,676	9,618
- winter	677	497	547	492	485	535	NA
- spring	9,602	9,668	9,433	8,645	9,505	9,141	NA
Rye	3,804	2,350	1,895	2,342	1,790	2,105	2,166
Oats (spring)	4,269	3,735	3,569	3,340	3,599	3,564	3,564
Corn for grain	625	730	918	868	1,080	1,566	1,810
Rice	149	156	133	145	164	161	163
Millet	581	830	1,028	500	671	508	572
Buckwheat	837	735	940	918	1,164	1,300	1,112
Legumes	1,214	1,275	1,224	1,113	1,215	1,104	1,006
Other	54	33	28	23	44	43	96
Total	47,474	42,195	43,745	43,785	43,357	44,430	46,732
Harvested Area, 1,000 Hectares*							
Wheat, total	24,435	20,043	22,931	24,650	23,023	23,505	26,019
- winter	9,950	6,937	8,826	10,230	8,820	10,178	NA
- spring	14,485	13,106	14,105	14,420	14,203	13,327	NA
Barley, total	9,492	9,251	9,573	8,706	9,600	8,361	9,405
- winter	648	463	533	483	478	526	NA
- spring	8,844	8,788	9,040	8,223	9,122	7,834	NA
Rye	3,757	2,232	1,865	2,311	1,734	2,034	2,136
Oats (spring)	3,650	3,085	3,281	3,170	3,320	3,317	3,411
Corn for grain	541	663	3,414	834	1,014	1,349	1,717
Rice	128	143	125	137	156	157	159
Millet	344	701	939	407	577	376	515
Buckwheat	563	640	867	830	1,069	1,196	1,004
Legumes	1,109	1,114	1,157	1,058	1,103	923	975
Total	44,019	37,874	44,152	42,104	41,595	41,218	45,342
Production, 1,000 Metric Tons							
Wheat, total	50,609	34,104	45,413	47,698	45,006	49,390	63,747

- winter	29,751	14,707	25,948	28,952	24,695	28,600	
- spring	20,858	19,397	19,465	18,746	20,311	20,790	
Barley, total	18,738	18,003	17,180	15,791	18,154	15,663	23,137
- winter	2,554	1,218	1,992	1,566	1,735	2,031	
- spring	16,184	16,785	15,188	14,225	16,419	13,632	
Rye (winter)	7,139	4,152	2,872	3,628	2,965	3,905	4,507
Oats (spring)	5,694	5,183	4,955	4,565	4,880	5,407	5,832
Corn for grain	1,541	2,122	3,516	3,211	3,669	3,953	6,645
Rice**	483	451	471	575	686	709	734
Millet	292	975	1,117	456	600	421	711
Buckwheat	304	525	650	606	866	1,005	924
Legumes	1,764	1,649	1,875	1,630	1,764	1,301	1,794
Other	48	35	43	25	35	42	74
Total	86,612	67,199	78,092	78,185	78,625	81,796	108,105
* Harvested area is calculated based on production and reported yields per harvested ha ** Rice production is in rough equivalent							
Source: Rosstat, SovEcon							

Input Supply

Sown Area

Area sown to winter grains increased in 2009, and yields for winter grain have improved due to better equipment and better agronomic practices which some grain farmers initiated in 2007-2008.

According to the MinAg data (March 5, 2009 – report on current situation in agriculture), area sown to winter crops on all farms (all enterprises, farms, households) is 17.1 million hectares, or 1.6 million ha more than in 2008. Winter wheat is sown on 13.8 million hectares (78 percent of winter sown area), winter rye – on 2.4 million hectares, winter barley – on 0.6 million hectares, and winter triticale – on 0.3 million ha. According to Roshydromet[3], as of mid-March 2009, the share of winter grains in poor condition was limited to only 5 percent of sown area. In the major winter grain area – Southern Federal district (Krasnodar and Stavropol krays and Rostov oblast) winter crop kills are only 1-2 percent. In the Volga Valley Federal District winter kill is higher, but is still estimated as better than in spring 2008. Experts[4] predict that area with good winter grains may reach 16.0 million hectares, including 12.9 million hectares under winter wheat (plus 200,000 hectares compared with 2008), 2.4 million hectares under winter rye (200,000 hectares increase from 2008), and 700,000 hectares of winter barley (50,000 hectares increase from 2008).

Fall-plowed area remains the same as in 2008 – 25 million hectares.

Seed

According to the Federal State Enterprise (FGS) "Rosselkhoztsentr" of the Ministry of Agriculture, agricultural producers are provided with planting seeds for spring crops. Conditional seeds comprise 76.5 percent of all seeds (74.2 % in 2008). The share of

[3] Roshydromet – Federal Service of the Russian Federation on Hydrometeorology and Monitoring of the Environmental Situation
[4] SovEcon estimate

conditioned seeds differs by federal districts: in the Southern Federal District - 89%, in the Volga Valley Federal District – 76%, in the Central Federal District – 72%. These are the major grain producing territories of the Russian Federation. In other Federal Districts the quality of seeds is lower: in Ural Federal District -35%, North-West Federal District – 53%, Siberia Federal District – 63%, Far Eastern Federal District– 67%.

Fertilizer

In February 2009, the Russian Government lifted export duties on mineral fertilizer, which were introduced in March 2008. Prime Minister Vladimir Putin remarked that duty-free exports are possible only if agricultural producers are not left without fertilizer. At present, 80 percent of Russian fertilizer is exported. According to Vladimir Putin, middle term and long term contracts between fertilizer producers and their Russian consumers shall guarantee an adequate domestic supply at a price that suits both sides. However, deliveries abroad are traditionally more profitable. Experts add that if fertilizer producers fail to supply the domestic market, they risk retributive action. At the same time domestic demand for fertilizer in spring could be reduced due to lack of producers' funds.

The Ministry of Agriculture calculated farmers' needs in mineral fertilizer in 2009 at 2.3 MMT (active ingredient), including 1.7 MMT shall be applied for spring crops and in course of other spring works. The total cost of fertilizer is estimated at 43 billion rubles, including 33-35 billion rubles are necessary for acquisition of fertilizer for spring field works (in prices as of end of January 2009). As of February 1, 2009, resources of mineral fertilizer were 554,000 MT (active ingredient), or 225,000 MT more than on the same date in 2008 (32 percent of needs). Nitrogen fertilizer comprise 413,000 MT (Active ingredient), and this amount will fully meet farmers' needs in early spring supplementary fertilization.

Energy

The Ministry of Agriculture together with provincial government and Ministry of Economic Development calculated that in 2009 Russian farmers will need 5.45 million metric tons (MMT) of diesel fuel and 2.02 MMT of gasoline. Farmers' expenses on this gas and fuel will reach 137.8 billion rubles ($3.94 billion). This spring diesel fuel requirements are estimated at 1.5 MMT, and in gasoline – at 0.5 MMT.

The Russian government has reported on an agreement with Russian oil companies that in spring 2009 these companies will sell diesel fuel and low grade gasoline to farmers at fixed prices. Prices are fixed at the January 15, 2009 level: 13,823 RUR ($395) per metric ton of diesel fuel and 12,589 RUR ($360) per metric ton for gasoline. Media reports that in order to provide for the "uniform channel of fuel supply" and to eliminate middlemen, the government plans to create a special fuel purchasing unit at Rosselkhozbank[5]

Machines and Equipment

According to MinAg, in 2008 farmers acquired 23,000 tractors, and over 9,000 grain harvesters, a 14 percent increase from the planned volumes. They also acquired 2,800 feed choppers. However, given the farmers financial constrains in 2009, purchase of new machines and equipment in 2009 will slow down significantly. Most farmers purchased equipment on borrowed money, and in 2009 new credits are very expensive. The government has promised to provide interest rate subsidies to farmers, but these subsidized loans will be primarily directed to livestock producers for completion of their livestock

[5] For more information see GAIN RS9017 Agricultural Situation / Government Fixed Diesel Fuel and Gas Prices for Farmers

development projects. Those farmers who have already invested in new tractors and harvesters will strive for higher yields and increased grain production in order to pay back their loans. It is possible that the use of equipment will be more efficient than in 2008, as farmers join together and share equipment rather then depending on service companies, which were popular in the Southern Russia in 2007-2008.

Finance

Due to the financial crisis, and the possible continued decrease in grain prices in 2009, Russian farmers will not have the financing required to increase grain production and invest in improved technologies. However, according to experts, grain producers are still in better financial situation than livestock farms, because they had benefitted from high grain prices in MY 2007-2008. Thus, financing of grain production sowing and harvesting in MY 2009 will not be a serious problem, but the situation may be aggravated by the beginning of winter grain sowing in September – October 2009.

Trade

Tariffs

Import tariffs on all grain (except rice and corn) are set at five percent. With the exception of planting seed, corn (HS number 10005 90 00 00) imports are duty free. The import tariff on rice is 70 Euro per metric ton, and starting February 15, 2009 and through May 15, 2009 Russia has introduced a seasonal import tariff on rice and rice products (HS numbers 1006, 1103 19 500, 1103 20 500 0, 1104 19 910 0, and 1108 19 100 0) at 160 Euro per 1 metric ton[6]. Import tariffs on wheat flour, wheat and meslin flour, corn flour, and rye flour are 10 percent of the Customs value. Since July 1, 2008, all grain is again exported duty-free.

The value-added tax on all grain and flour is 10 percent.

Trade

Wheat and wheat flour (in grain equivalent) imports in July-February 2009 were 62,607 MT, including 50,600 MT from Kazakhstan. In January – February 2009 Russia did not import any wheat, and only small quantities of flour. Thus by the end of MY 2008 wheat and flour imports will hardly exceed 120,000 MT.

As of end of February Russia exported 13.0 MMT of wheat (including wheat flour in grain equivalent), 1.63 MMT of barley (MY for wheat and barley is July – June) and 497,127 MT of corn (MY is October – September). Grain exports slowed down in December – January, but then resumed at a high pace due to devaluation of the ruble, which made Russian grain more competitive in the world grain market. Experts forecast that by the end of MY 2008 Russia's grain exports will reach 19.0 MMT, including 16.3 MMT of wheat exports, 2.1 MMT of barley, and 600,000 MT of corn. In MY 2009, unless the ruble devaluates significantly by the end of CY 2009, commercial exports of grain from Russia will be more difficult due to good prospects for grain in the world, and increased competition in the world markets. However, the grain exports forecast is slightly higher than in 2008 due to good grain crop and possible Russian government support of grain exports.

[6] GAIN RS 9012 New Seasonal Import Duty on Rice

Policy

Protection of the domestic market has become evident after the introduction of a seasonal import duty on rice. This action benefited one Russian company which made big investments into rice production in Russia two years ago. Experts complain that the domestic price of rice may increase by at least 15 percent due to seasonal import duties. Presently, domestic rice prices are higher than world prices: thus, in the beginning of March 2009 rice was traded at the world commodity exchanges at $550 per MT (less that 20,000 R per MT), while at the domestic trading sites, price of rice from Krasnodar kray was 34,000 RUR per MT. The retail price of rice in Krasnodar and in Stavropol (major rice producing regions) was 40-45 RUR per 1 kilogram, while in Astrakhan oblast - 38 RUR per kilogram.

Results of state intervention procurement as of March 26, 2009, are as follows:

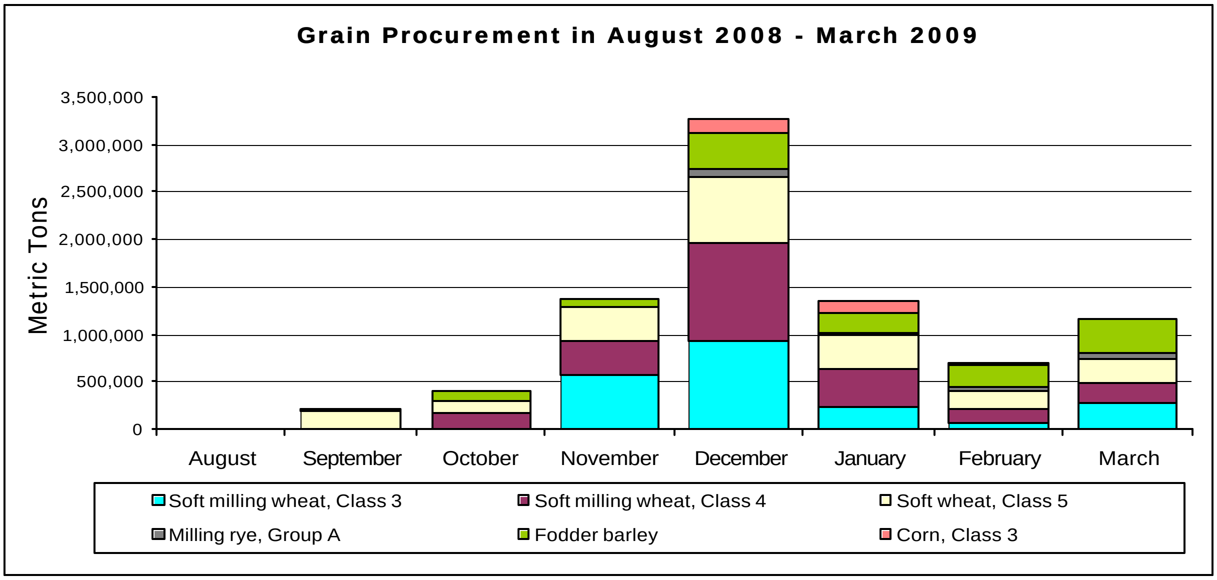
Table 15. Russia: State Grain Procurement Interventions, as of March 26, 2009*

Commodity	Purchases, Metric Tons	Average Price		Value of Purchased Grain	
		Ru/MT	$US/MT	1,000 Ru	1,000 $US
Soft milling wheat, Class 3	2,007,383	5,824	173.9	11,690,605	378,973
Soft milling wheat, Class 4	2,275,387	4,999	149.2	11,373,574	339,510
Soft wheat, Class 5	2,072,610	4,031	120.3	8,355,531	249,419
Milling rye, Group A	205,875	3,890	116.1	800,946	23,909
Fodder barley	1,260,465	3,729	111.3	4,699,682	140,289
Fodder corn, Class 3	295,515	3,991	119.1	1,179,484	35,208
TOTAL	8,117,235			38,099,821	1,137,308

Source: NAMEX

*Exchange rate of Russian Rubles as of March 26, 2009 is 33.5 Rubles per $1

Graph 3. State Grain Procurement Interventions, Aug. 2008 – Mar. 2009, by Months



Since December 2008, the Russian government has undertaken several steps to support grain exports. Thus, by the Decree of the President of March 20, 2009, the United Grain

Company was created. The company will accumulate assets of several federally owned elevators and terminals, under one state owned company. The former Minister of Agriculture Aleksey Gordeev negotiated several memorandums and agreements with some importers of Russian grain on expanding grain exports from Russia (Brazil, Iran and Mongolia are among these countries). Several steps have been undertaken by the Russian Government to coordinate international grain trade including proposing a World Grain Forum in Moscow in June 2009.

In the domestic market the government regulated grain prices through expanded grain procurement interventions. Experts estimate that by the end of MY 2008 government will accumulate not less than 10.0 MMT in intervention stocks. An inter-agency commission was created at the Ministry of Agriculture for control of the spring sowing and the Commission has held meetings in several provinces. In the period of economic crisis these coordination mechanisms play larger role in farmers' decisions than before.

Marketing

Infrastructure and logistics remain a serious constraint in increasing Russian grain production. It is unlikely that serious new investments will be made in MY 2009 in the improvement of infrastructure, but the investments which began in 2007-2008 will probably be completed. Thus, in spite of the crisis, the grain terminal in the Black Sea port in Tuapse may begin functioning in 2009. The total volume of private investments is 1.2 billion rubles. In December 2008 the construction of most of port infrastructure for grain transportation and handling, including a 102,000 MT's elevator was concluded. The projected capacity of the new terminal and the port facilities is 2.0 MMT of grain per year.

Relevant Reports

RS9022 Grain and Feed / Russia's Federal United Grain Company Created
http://www.fas.usda.gov/gainfiles/200903/146347621.pdf

RS9017 Agricultural Situation / Government Fixed Diesel Fuel and Gas Prices for Farmers
http://www.fas.usda.gov/gainfiles/200903/146337534.pdf

RS9012 Grain and Feed / New seasonal Import Duty on Rice
http://www.fas.usda.gov/gainfiles/200903/146327439.pdf

RS9004 Grain and Feed / Official Data on 2008 Crop
http://www.fas.usda.gov/gainfiles/200902/146327160.pdf

RS8097 Grain and Feed / Russia Begins Corn Procurement Interventions on December 22
http://www.fas.usda.gov/gainfiles/200812/146306940.pdf

RS8091 Grain and Feed / December Grain Update
http://www.fas.usda.gov/gainfiles/200812/146306655.pdf

RS8085 Grain and Feed / Government Increased Wheat Procurement Prices
http://www.fas.usda.gov/gainfiles/200811/146306353.pdf